

Message Text

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PAGE 01 EC BRU 04160 01 OF 02 201901Z

46

ACTION EB-11

INFO OCT-01 IO-13 AF-10 ARA-16 EA-11 EUR-25 NEA-10 RSC-01

ADP-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-02

H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03

AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-15

PRS-01 OMB-01 RSR-01 /230 W
----- 012522

R 201804Z JUL 73

FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 5559
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS UNN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION GENEVA
AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 4160

E.O. 11652: N.A.

TAGS: ETRD, GATT

SUBJ: PREPARATORY COMMITTEE FOR MTNS

REF: (A) GENEVA 3702; (B) GENEVA 3736

1. SUMMARY. ON THE MAIN POINTS RAISED IN REFTELS, HIJZEN
HAS GIVEN US THE FOLLOWING VIEWS: (A) ON THE LINK
BETWEEN MONETARY AND TRADE MATTERS, HIJZEN'S PERSONAL
RPT PERSONAL GUESS IS THAT THE LANGUAGE WILL HAVE TO
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PAGE 02 EC BRU 04160 01 OF 02 201901Z

REMAIN BRACKETED UNTIL THE TOKYO MEETING BUT THE JULY 23-24

EC COUNCIL MAY CAUSE A DIFFERENT OUTCOME; (B) WITH REGARD TO US TRADE LEGISLATION AND THE "EFFECTIVE" OPENING OF NEGOTIATIONS, HE MAINTAINS THE COMMUNITY HAS MADE CLEAR ITS VIEW ALL ALONG BEGINNING WITH THE FEBRUARY 1972 DECLARATION; AND (C) HE SAYS THAT THE EC SIMPLY HAS A DIFFERENT VIEW FROM THAT OF THE US AND JAPAN RE TACTICS WITH THE LDCS. END SUMMARY.

2. ON HIS RETURN FROM THE GENEVA PREPCOM, WE REVIEWED THE SITUATION INFORMALLY WITH HIJZEN, EMPHASIZING THAT THE DISCUSSION WAS FOR THE MISSION'S INFORMATION AND THAT WE DID NOT INTEND TO GET IN THE MIDDLE OF A COMPLEX AND DELICATE OPERATION UNDERWAY IN GENEVA. ON THIS BASIS, HIJZEN GAVE US HIS VIEWS. HE SAID HE WILL PROBABLY GO BACK TO GENEVA FOR THE WINDUP OF THE PREPCOM ALTHOUGH HIS PLANS ARE SUBJECT TO HOW THINGS ACTUALLY GO THERE, AS WELL AS RESULTS OF THE JULY 23-24 EC COUNCIL MEETING.

3. WE EXPRESSED SOME SURPRISE THAT THE EC COUNCIL WAS CONSIDERING MTN EXCEPT FOR THE SPECIFIC POINT OF TRADE-MONETARY LINKAGE RAISED BY FRANCE (REFTEL B). WE HAD ASSUMED THAT THE COMMUNITY'S OVERVIEW ON TRADE NEGOTIATIONS PROVIDED THE COMMISSION SUFFICIENT GUIDANCE UP TO AND PERHAPS INCLUDING TOKYO. HIJZEN SAID THAT, APART FROM THE FRENCH, OTHERS IN THE COMMUNITY (WHOM HE DID NOT IDENTIFY) HAD THOUGHT IT WOULD BE GOOD IN VIEW OF THE PREPCOM AND THE GENERAL SITUATION FOR THE COMMISSION TO GIVE A STATUS REPORT TO THE EC MINISTERS. BX "GENERAL SITUATION" HIJZEN HINTED AT CONCERN ABOUT MONETARY RELATIONSHIPS AND EUROPEAN REACTION TO AMERICAN EXPORT CONTROLS.

4. ON THE LINK BETWEEN TRADE NEGOTIATIONS AND THE MONETARY SITUATION, HIJZEN SAID IT IS HIS PERSONAL OPINION THAT THE MATTER MIGHT BEST BE LEFT OPEN UNTIL TOKYO. THIS WOULD MEAN HAVING A BRACKETED PASSAGE OR PERHAPS ALTERNATE BRACKETS. HE EMPHASIZED THAT THESE WERE HIS OWN VIEWS, NOT NECESSARILY THOSE OF SOAMES AND THE COMMISSION OR OF THE EC COUNCIL. HE THINKS THAT, RATHER THAN ONE SIDE OR THE OTHER TRYING TO GET ITS FORMULATION THROUGH NOW, MONETARY LIMITED OFFICIAL USE

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PAGE 03 EC BRU 04160 01 OF 02 201901Z

DEVELOPMENTS BY SEPTEMBER ARE LIKELY EFFECTIVELY TO RESOLVE THE ISSUE ONE WAY OR ANOTHER -- OR AT LEAST REMOVE MUCH OF THE POLITICAL HEAT SURROUNDING IT. HE RECOGNIZED OUR INTEREST IN SOME KIND OF NEUTRAL TWO-WAY FORMULATION. HE SAID THAT HE HAD TO STATE FRANKLY THAT SOME IN THE COMMUNITY, INCLUDING WITHIN THE COMMISSION, SEE THE MATTER IN A DIFFERENT WAY: THEIR THESIS IS THAT WHAT HAPPENS IN TRADE NEGOTIATIONS WILL HAVE LITTLE EFFECT ON THE

MONETARY SITUATION WHILE MONETARY DEVELOPMENTS CAN HAVE MAJOR EFFECTS IN NEGATING OR DISTORTING THE EFFECTS OF TRADE CONCESSIONS. WE POINTED OUT TO HIJZEN THAT SUCH ARGUMENTATION IS NOT CONVINCING IF ONE THINKS IN TERMS OF LONG-TERM, RECIPROCAL TRADE CONCESSIONS AND AN EVENTUAL RETURN TO A SYSTEM OF FIXED BUT ADJUSTABLE PARITIES.

5. WITH REGARD TO NEGOTIATING AUTHORITY, HIJZEN MAINTAINS THE COMMUNITY HAS BEEN CONSISTENT AND MADE ITS POSITION CLEAR SINCE FEBRUARY 1972. HE REMINDED US THAT THE US-EC DECLARATION AT THAT TIME INCLUDED AN EXPRESSION ABOUT BEGINNING NEGOTIATIONS IN 1973 SUBJECT TO SUCH INTERNAL AUTHORIZATION AS MAY BE REQUIRED. HIJZEN RECOGNIZED THAT WE MIGHT HAVE A DIFFERENT VIEW OR INTERPRETATION. IN RESPONSE TO OUR COMMENTS, HE SEEMED TO AGREE THAT THE COMMUNITY HAD NEVER INSISTED THE US LEGISLATIVE PROCESS MUST BE COMPLETED PRIOR TO THE OPENING OF NEGOTIATIONS -- THAT, AT A MINIMUM, IF BY SEPTEMBER THE OUTLOOK IN THE CONGRESS SEEMED FAVORABLE, NEGOTIATIONS COULD GO AHEAD. HIJZEN SAID "THIS IS NOT SEPTEMBER AND THERE IS NO WAY THE COMMUNITY CAN HAVE A REAL JUDGMENT ABOUT THE LIKELIHOOD OR NON-LIKELIHOOD OF CONGRESSIONAL ACTION THIS YEAR".

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PAGE 01 EC BRU 04160 02 OF 02 201905Z

46

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AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-15

PRS-01 OMB-01 RSR-01 /230 W
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R 201804Z JUL 73

FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 5560
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS UNN
AMEMBASSY COPENHAGEN

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LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 4160

HE INSISTED THAT THE FORMULATION TABLED BY THE COMMUNITY IN GENEVA GOES AS FAR AS THEY CAN GO NOW IN A DRAFT DECLARATION AND IN DEMONSTRATING A POLITICAL WILL TO GO FORWARD. HE ALSO NOTED, AS IN REFTEL A, THAT THE COMMUNITY DOES NOT HAVE ITS MANDATE EITHER.

6. WITH REGARD TO THE LDC QUESTION, HIJZEN VOLUNTEERED THAT THERE APPEARS TO BE NO BASIC SUBSTANTIVE DIFFERENCE BETWEEN THE US, EC AND JAPANESE POSITIONS -- AT LEAST NOT IMPORTANT DIFFERENCES AT THIS STAGE. ON THE OTHER
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PAGE 02 EC BRU 04160 02 OF 02 201905Z

HAND, HE SAID THAT THERE IS A CLEAR DIFFERENCE OF TACTICAL JUDGMENT IN HOW TO HANDLE THE LDCS. THE COMMUNITY THINKS IT IS A MISTAKE TO "ANSWER DOGMATISM WITH DOGMATISM". HE STRONGLY IMPLIED THAT, IF THE US AND JAPAN WISH TO TAKE A FIRM LINE WITH THE LDCS AT THE OUTSET, THE COMMUNITY CAN SEE ADVANTAGES FOR THE OVERALL NEGOTIATIONS, AND POLITICAL BENEFIT TO THE COMMUNITY, IN HOLDING BACK SO THAT IT CAN PLAY A MEDIATING ROLE LATER ON. HIJZEN "WONDERED" WHETHER THE US WILL REALLY BENEFIT FROM A TOUGH POSITION IN KNOCKING DOWN ADMITTEDLY UNREASONABLE OR UNCLEAR LDC DEMANDS NOW RATHER THAN TAKING A SOFTER LINE SIMILAR TO THE COMMUNITY'S. IN ANY CASE, HIJZEN SAID THE EC IS DETERMINED NOT TO RISK THE APPEARANCE OF A HARD CONFRONTATION BETWEEN THE US, JAPAN, AND THE COMMUNITY ON THE ONE HAND, AND THE LDCS ON THE OTHER. GREENWALD

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